

Message Text

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73

ACTION EB-11

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FM AMEMBASSY BONN

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INFO AMEMBASSY LONDON

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E. O. 11652: N/A

TAGS: WB, GW,ETR

SUBJECT: CIVAIR - MODERN AIR TRANSPORT DIFFICULTIES
WITH BERLIN/SAARBRUECKEN SCHEDULED SERVICE

REF: BONN 16911, NOV 23, 1973

1. SUMMARY: JAY MCGLON, IN CHARGE OF MAT'S EUROPEAN OPERATIONS, HAS INFORMED THE EMBASSY THAT BECAUSE OF INCREASES IN FUEL COST WELL IN EXCESS OF 00# PERCENT, AND UNLESS THE SAARLAND AUTHORITIES CAN PROVIDE FINANCIAL HELP, MAT WILL REQUEST AUTHORITY TO DISCONTINUE ITS NON-STOP BERLIN/SAARBRUECKEN SERVICE. END SUMMARY

2. MCGLON TOLD THE EMBASSY CAA ON FEBRUARY 26 THAT HE HAD REGRETFULLY COME TO THE CONCLUSION THAT MAT COULD NOT CONTINUE TO BEAR FOR LONG THE LOSSES NOW RESULTING FROM THE CARRIER'S SIX SERVICES WEEKLY BETWEEN BERLIN AND SAARBRUECKEN. MAT HAD ANTICIPATED IN JULY, WHEN IT COMMENCED THESE SERVICES WITH CONVAIR 990 AIRCRAFT, THAT IT WOULD OPERATE AT SOME LOSS FOR ABOUT SIX MONTHS. AFTER THAT, THEY WOULD MOVE INTO THE BLACK AND SUBSEQUENTLY MAKE A PROFIT. MCGLON WAS WELL SATISFIED WITH

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RESULTS UP TO THE POINT WHEN THE FUEL CRISIS UPSET ALL

OF MAT'S EXPECTATIONS. IN SPITE OF FUEL PRICE INCREASES TALLING APPROXIMATELY 130 PERCENT BETWEEN NOVEMBER 1 AND JANUARY 1, DECEMBER WAS STILL A SUCCESSFUL MONTH BECAUSE OF EXTRA HOLIDAY TRAFFIC. JANUARY RESULTS, HOWEVER, HAVE BEEN UNACCEPTABLE (MAT FORWARDING DETAILS) AND EVEN THE FARES INCREASE RECENTLY AUTHORIZED WILL NOT HELP THE CARRIER. MCGLON POINTS OUT THAT THE CONVAIR 990 IS A HEAVY FUEL CONSUMER, AND HE IS CONVINCED THAT IF FARES WERE TO BE RAISED TO A LEVEL COVERING ALL COSTS AT PRESENT LOW PASSENGER LOAD FACTORS, MODERN WOULD PRICE ITSELF OUT OF THE MARKET.

3. MAT HAS ENJOYED CLOSE, COOPERATIVE RELATIONS WITH SAARLAND OFFICIALS, AND AS A NEXT STEP, MCGLON IS WRITING (WITH COPY TO THE EMBASSY) TO INFORM THEM OF THE MAT PROBLEM. IT IS POSSIBLE, MCGLON THINKS, THAT THE SAARLAND MIGHT WISH TO ASSIST MAT THROUGH A SUBSIDY OR SOME OTHER FINANCIAL HELP SO THAT THE NON-STOP BERLIN SERVICE COULD CONTINUE. HE IS NOT, HOWEVER, OPTIMISTIC NOR HAS HE ANY HOPE THAT THE FRG MIGHT INCREASE THE FEDERAL SUBSIDY IT CURRENTLY PAYS ON THE SAARBRUECKEN SERVICE.

4. IF NO ASSISTANCE IS FORTHCOMING FROM THE SAARLAND, MODERN WILL THEN APPLY TO THE ALLIED CAA'S FOR AUTHORITY TO DISCONTINUE THE SAARBRUECKEN SERVICE. (CONSIDERING MAT'S PASSENGER LOAD FACTORS AND INCREASED COSTS, THIS WOULD BE LITTLE MORE THAN A FORMALITY. IT WILL BE RECALLED THAT THERE ARE OTHER AIR SERVICES BETWEEN BERLIN AND SAARBRUECKEN VIA FRANKFURT OR COLOGNE, TRANSFERRING FROM THE IGS TO GENERAL AIR, A REGIONAL AIR CARRIER.)

5. ONCE THE EMBASSY RECEIVES THE COPY OF MODERN'S LETTER TO THE SAARLAND AUTHORITIES (AND FURTHER DETAILS OF THEIR FINANCIAL SITUATION), WE WILL NOTIFY THE BRITISH AND FRENCH CAA'S AS WELL AS THE FRG REPRESENTATIVES IN BCATAG OF MAT'S DIFFICULTIES AND THE POSSIBILITY THAT THEY MAY APPLY TO DISCONTINUE THE SERVICE.

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6. FOR BERLIN. EMBASSY DOES NOT KNOW TO WHAT EXTENT MCGLON MAY HAVE ALSO TOLD THE MISSION ABOUT THIS DEVELOPMENT. IN ANY CASE, IT SEEMS TO US THAT, ONCE MCGLON HAS WRITTEN TO SAARBRUECKEN, YOU (OR MAT) WOULD WISH TO ADVISE THE SENAT INFORMALLY OF MODERN'S DIFFICULTIES RATHER THAN LET THE SENAT LEARN ABOUT IT FROM THE PRESS OR OTHER SOURCES.
HILLENBRAND

NOTE BY OC/T: # AS RECEIVED, WILL BE SERVICED UPON REQUEST.

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